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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000950

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SUBJECT: TAICHUNG: KEY BATTLEGROUND IN LEGISLATIVE AND
PRESIDENTIAL ELECTIONS

Classified By: AIT Director Stephen M. Young, Reason 1.4 (b/d)

11. (C) Summary: Central Taiwan, where KMT-dominated north meets DPP-controlled south, will be a key battleground between the DPP and KMT in their fight to win a legislative majority and the presidency in 2007-2008 elections. More than ten percent of Taiwan's voters reside in Taichung City and County, which is undergoing an economic boom. With the highly popular Jason Hu as mayor, the KMT enjoys a solid majority in Taichung City. Although also generally enjoying a slim majority in Taichung County, the KMT-led pan-Blue lost this county to the DPP in the 2004 presidential election. Pro-Blue Taichung observers predict the pan-Blue, if it remains unified, could win 7 of the 8 legislative races in the city and county, with the 8th going to a pro-Blue independent. While local DPP party leaders are hoping to win a majority of seats based on a possible KMT-PFP split, more realistically, the DPP has a chance to win 2-3 of the 8 seats. End Summary.

12. (C) Comment: The KMT has the clear advantage overall at this early stage in Taichung City and County legislative races. Nonetheless, the KMT must deal with intense intra-party competition and coordinate effectively with the PFP to avoid splits that could cost the pan-Blue some LY seats. How well the KMT handles these intra-party and Pan-Blue issues over the coming months will be a significant factor in determining the results of the legislative elections in this important region of Taiwan. End Comment.

13. (SBU) This cable is one of a series of reports on the political scene in important cities and counties in early stages of the run-up to the 2007-2008 legislative and presidential elections. To gather information for this report, AIT met with party officials and academics in Taichung City on January 24 and April 11 and Taichung County on April 11.

Despite Politics, Stability and Growth Ahead?

14. (C) DPP Taichung County Chairman Chang Wen-huai told AIT that despite the confrontational political atmosphere in Taipei, the Taichung economy is performing handsomely and would only benefit from a proposed merger of the city and

county. If this merger were realized, it would bring ports and airports under unified control in a new metropolitan area comprising 2.6 million people. Chang explained that the Taichung Industrial Science Park and surrounding real estate development already reflect a prosperous economy, while the local Ching-Chuan-Kang ("CCK") airport is positioned to accept future cross-Strait charter flights, which will further increase Taichung's competitiveness. Once the new High Speed Rail and planned MRT systems become a part of everyday life in Taichung, the region will begin to catch up with Taipei. Chang predicted that the new Legislative Yuan (LY) system (with single-representative districts and the total number of legislators reduced from 225 to 113) will increase political stability, no matter who wins the presidency. The new system will provide an opportunity to allocate the national budget more in accordance with the local LY districts, Chang suggested, and lawmakers might be more inclined to cooperate with the new Cabinet in order to secure central government funding for their districts.

Key Blue-Green Battleground

15. (C) With over 10 percent of Taiwan's population and a total of 8 Legislative Yuan (LY) seats out of the 73 district seats up for grabs later this year, Taichung City and County will be a pivotal battleground in the upcoming 2007-2008 legislative and presidential elections. While the Kuomintang (KMT) has traditionally enjoyed greater support in Taichung, winning a small majority of legislative seats (10 out of the then 19 seats) in 2004 and both the mayoral and county magistrate races in 2005, the pan-Blue presidential ticket lost to President Chen in 2004 by a narrow margin in Taichung County.

TAIPEI 00000950 002 OF 003

16. (C) KMT Taichung City Office Director Hung Jung-chang told AIT that support for the pan-Blue in the city and county is between 55 to 60 percent compared with 40 to 45 percent for the pan-Green. However, several districts that voted Blue in the 2004 legislative elections had voted Green just a few months earlier in the 2004 presidential election. Tunghai University Political Science Professor Huang Hsin-da explained to AIT that the KMT has difficulty translating the local organizational advantage that wins legislative elections into victory in national elections. If the pan-Blue is unified, Huang predicted, they could win all 8 of the legislative races with one of the seats going to a pro-Blue independent. Local Democratic Progressive Party (DPP) party leaders, however, told AIT they hope for a KMT-People First Party (PFP) split in 3 districts, giving the DPP a chance to win a slim majority of the Taichung seats.

The View from Taichung City

17. (C) With over 1 million inhabitants, Taichung is Taiwan's third most populous city and is divided into three legislative districts in the new system. Professor Huang told AIT that he expected urban candidates to run campaigns based on personal image and party affiliation because the local factions are weakening and no longer play as strong a role as they do in rural areas. With a popular KMT mayor, the Blues enjoy a resource advantage over the Greens in what has generally been a Blue-leaning area. The KMT and PFP, however, are both considering entering candidates in two of the three districts and it remains to be seen whether the parties can successfully coordinate to agree on single pan-Blue candidates once the KMT primaries conclude in June. While Huang suggested that the DPP could take advantage of a potential KMT-PFP split, the DPP itself faces the problem of coordinating with the Taiwan Solidarity Union (TSU) in the strongest Green district. Details on the contests in the three Taichung City legislative districts follow:

-- District 1 is a Blue-leaning district where Tsai Chin-lung, deputy secretary-general of the KMT legislative caucus, is likely to win his party primary and square off against the DPP's Michael Tsai (Ming-hsien), former Legislator and former Vice Minister of Defense. Tunghai University Professor Wang Yeh-li said that in the upcoming battle of the "two Tsais" the KMT incumbent enjoys the advantage of combining a national reputation with stronger grassroots support. Michael Tsai, moreover, faces potential challenges from DPP legislator Lee Ming-hsien, who might run as an independent, and from former Taichung Mayor Chang Wen-ying, who might run under the TSU banner.

-- District 2 is a strong Blue district and one of three districts island-wide for which the KMT and PFP have agreed to hold public opinion polls to produce a single pan-Blue candidate. KMT-PFP coordination, however, could be undermined by longstanding antagonism between the pan-Blue local political establishments. PFP candidate Shen Chih-hui, an incumbent legislator, alienated local KMT leaders in 2005 by running against the highly popular (KMT) Taichung Mayor Jason Hu during his reelection bid. Professor Huang told AIT that local KMT party leaders rejected Shen's application to return to the KMT earlier this year, and that her attempt to jump ship also alienated her own PFP supporters. The KMT candidate is incumbent Legislator Lu Hsiu-yen. Professor Huang, who has campaigned for Lu in the past, explained that even if Shen does not run, Lu will still face a tough challenge from Hsieh Ming-yuan, DPP co-founder and an incumbent Legislator, who has a stronger grassroots support base than Lu in this district.

-- District 3 is the only Taichung city district where the Blues and Greens are evenly matched and could see a three- or even four-way race. None of the five KMT hopefuls is a current Legislator. PFP Legislator Daniel Hwang (I-chao) told AIT in mid April that he thought he has a good chance of winning reelection. Recent media reports indicate that the KMT may end up ceding this district to Hwang as part of an

TAIPEI 00000950 003 OF 003

overall deal with the PFP on legislative races. Professor Wang told AIT that the DPP's Wang Shih-hsun and the TSU's Ho Min-hao, both incumbent legislators, belong to the same local Ho family faction, so the chances of agreement on fielding a joint pan-Green candidate in this district are good.

The View from Taichung County

18. (C) Taichung County, with 1.5 million inhabitants, is the fourth-largest administrative district in Taiwan and will have 5 LY seats. The DPP's President Chen narrowly won all five districts in 2004. Subsequently, Districts 1-4 voted Blue in the 2004 LY election. DPP Taichung County Executive Director Chang Wen-huai told AIT that no candidates have registered for the primary in Districts 2 and 4, which are particularly difficult for the DPP. Details on the five districts:

-- District 1 is a contest between strong KMT and DPP incumbents. Taichung City DPP Chairman Chang says he is confident Legislator Tsai Chi-chang will be reelected. However, Tsai faces Legislator Liu Chuan-chung of the KMT, who outpolled him by 50% and was the top vote winner in his district under the old system.

-- District 2 is the home base of Nonpartisan Solidarity Union (NSU) Legislator Yen Ching-piao, a pro-Blue independent with an underworld background who is very influential in Taichung politics. No DPP candidate is registered here. KMT Legislator Chi Kuo-ting registered, but contacts told AIT he will step aside and run for Vice County Magistrate as the KMT cedes this district to Yen.

-- District 3 is Blue-leaning, and the KMT recently announced

it would use polls to determine a single Pan-Blue candidate. Local party leaders told AIT that the Blues should win if they agree on a single candidate. At this point, incumbent LY member Fung Ting-kuo (PFP) appears to be leading Chiang Lien-fu (KMT). On the DPP side Legislator Hsieh Hsin-ni, the county second place vote winner in the 2004 LY, faces a primary challenge by former Legislator Chin Chao-tung.

-- District 4 is a KMT majority district, and there is no DPP candidate registered for the primary. The powerful Legislator and KMT Central Standing Commission Member Hsu Chung-hsiung faces County Councilor Chen Ching-lung in the KMT primary. Hsu is one of only two KMT district legislators endorsed by a consortium of 27 civics groups that have pledged to be a nonpartisan voice of moderation in the upcoming LY elections.

-- District 5 is the only Taichung County district that voted Green, narrowly, in the 2004 LY race. Tunghai University Political Science Professor Wang Yeh-li said this district is too close to call. DPP Legislator Kuo Chun-ming left District 4 to compete in this district against Legislator Wu Fu-kuei and a local county councilor. The winner will square off against KMT Legislator Yang Huan-ying, who has avoided a primary after the KMT pressured a county councilor to withdraw from the race.

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